

home electronics and major appliances

small business wholesale customer. The club sells "virtually every conceivable merchandise category," including major appliances, to club members. Three clubs were opened last year, and six more were to be opened in 1984.

Founder Sam M. Walton, a near legend in the story of discount mass merchandising, heads the huge organization with a remarkably personal touch. The one-time management trainee with J.C. Penney in Des Moines is known to go into a store and use the PA system to thank his customers for shopping at Wal-Mart. He's also known to jump up on a table and lead the store's staff in a Wal-Mart cheer.

At the same time, the former variety store entrepreneur keeps a tight rein on operations and expenses. The company spends 2% of sales on general administration. Instead of using jobbers and contract distributors like most discounters, Wal-Mart orders directly from suppliers and uses its own warehouses and delivery trucks.

Wal-Mart ended 1983 with a superb profit ratio, earning 50% as much profit as K mart on just 25% of its competitor's volume. The savings are passed along to the consumer, as a sign on the front of every store proclaims, "We Sell for Less."

Wal-Mart has received accolades from the media and the financial community for its business acumen. *Forbes* magazine recognized it for five of the past seven years as number one in the discount division of general retailers for sales growth, return on equity, return on capital and earnings per share.

The First Boston Corp. cited the firm last March for a wide range of factors, including superior execution, commitment to its 80,000 "associates," some 40% of whom are shareholders, and organization development, which is distinguished by the fact that unlike most other retail chains, Wal-Mart does not have merchandisers in the field.

Store renovation, innovative product categories and effective advertising were also mentioned by First Boston. This year, 38 stores were earmarked for facelifts, 14 were to be remodeled, and 29 were to be relocated or expanded.

"Two of the biggest disappointments in 1983 were two of the hottest growth items — home computers and telephones," said First Boston. Problems with the computers were tied to supply and consumer confusion on price. Telephone sales showed early promise but fell below expectations later on.

"Wal-Mart was smart enough to adjust to both situations without hardship. Computers were only in 205 stores and with price protection, while telephone orders were cancelled in time," the report said.

R.H. Macy & Co.

R.H. Macy & Co., Inc., operates one of the nation's largest retail department store businesses, selling principally in the medium-to-higher-price lines. The flagship store on New York's Herald Square is the world's largest department store.

Through its five regional store groups — Macy's New York, Bamberger's, Macy's California, Davison's and Macy's Midwest — the corporation will operate 96 stores in 14 states by year's end, including two new stores in Houston and one in Miami. Some 32% of total sales was reported last year in furniture, home furnishings, housewares and electronics.

Founded in 1858 by Quaker Rowland H. Macy, a veteran of four "rousingly unsuccessful" prior retail ventures, the business began in a humble New York dry goods store. The firm L. Straus and Sons was leased rights to the store's china, silver and glasswares business in 1874. Brothers Isidor and Nathan Straus, who eventually acquired the entire business, guided the move to Herald Square. It was their successors who helped engineer the store's expansion into new markets.

American of Madison, Inc.

Whoever heard of getting a free Sanyo VCR with the purchase of a \$388 color TV or a similarly priced refrigerator? Nearly 10,000 customers of American of Madison, Inc. took advantage of that offer last summer.

And where else can a customer get a free Cabbage Patch Kid with the purchase of any one of four Sharp microwave ovens, priced from \$199 to \$399? American and Sharp agreed to buy the scarce dolls at a premium over retail in order to move ovens during a 10-day sale in September.

The Wisconsin-based chain typically develops attention-grabbing promotional giveaways generously supported by TV, radio and newspaper advertising to make it one of the Midwest's leading appliance and electronics dealers with an anticipated annual sales volume of \$150 million for the current fiscal year. When American opened its fourth store, it did \$2.9 million in business in the first four days.

Credit for the promotional and media pizzazz is given to owner Len Mattioli, whose personal style has earned him the accolade "Crazy TV Lenny," as he is known to residents of the markets served by stores in Madison, Appleton and Pewaukee, WI and in Marquette, MI. In the 14 years since Mattioli acquired what was a financially ailing TV dealership run by his late brother, gross sales have increased more than 1,200-fold. Some 55% of the business is consumer electronics, and 15% is in white goods, Mattioli said.

Mattioli told MART that the success of American is due in part to its advertising program which "hits the pulse" of the consumer by touting hot items offered as premiums and a quality product at an attractive price.

Lechmere, Inc.

Citing some \$140 million in sales of consumer electronics and major appliances out of total sales of \$227 million in 1983, Lechmere, Inc., a highly visible specialty retailer owned by Dayton Hudson Corp., is a leading retailer in New England.

Like its parent corporation, Lechmere makes visible commitments to the communities in which it does business. When the firm opened its seventh store this fall in Woburn, MA, it gave \$25,000 for restoration of the town's library. Most of the company's operations are located in the Bay State, where another new store was opened last month.

The firm specializes in four lines — consumer electronics, major appliances, housewares and hardware and recreational and leisure-time equipment. Lechmere sells the better/best brands available, no private labels and no off brands, according to Lou Bernucca, vice president and general manager.

The stores are frequently the first in their market to offer new and innovative products. Lechmere made headlines last year, for example, when it was the first in the Boston area to offer National Robotics Systems' RB5X, billed as "the first robot designed for personal use."

In line with the nationwide trend to reposition this year for a more affluent, discriminating consumer, three of Lechmere's six stores were remodeled in 1983 with the rest scheduled for remodeling by the end of this year. Also in keeping with industry trends to expedite customer transactions, the firm recently installed a computerized purchasing system.

An almost weekly schedule of newspaper circulars reinforced Lechmere's high visibility in 1984. The print advertising is deemed very effective, according to Bernucca, because the ads are very concise, easy to read and very clear, making it easy for the customer to make his or her buying decision.

The company grew from a family-owned harness shop opened in 1911 on Lechmere Square in Cambridge. Up until the '40s, most of the business was in automobile tires and accessories, which supplanted harnesses in the early '20s. Electronics and major appliances were added, and the firm was acquired by Dayton Hudson in 1969.

Newmark & Lewis

Newmark & Lewis, a family-owned company started in a single store in

Hempstead, NY by President Richard Lewis' father and uncle, planned to have 25 stores by year's end. Consumer electronics was about 62% of a 1983 sales volume of between \$85 and \$88 million, according to Lewis. Major appliances comprised about 38%, he said.

When Lewis teamed up with partner Warren Hyman in 1949, he said they borrowed money to start the company in Manhasset. Once the loan was repaid, the two bought the original store in Hempstead and promptly closed it. Shortly thereafter, Newmark & Lewis acquired the 4-store Westminster chain, a historic milestone for the fledgling business, Lewis said.

Caldor, Inc.

Caldor, Inc., which was acquired by Associated Dry Goods Corp. in May 1981, posted two significant achievements in recent months. The 103-store chain surpassed the \$1 billion threshold in annual sales in 1983 and saw the retirement of founder and chairman Carl Bennett. It was Bennett who, together with his wife Dorothy, opened the company's first store of 1,500 square feet in a walk-up loft in Port Chester, NY with an \$8,000 investment in 1951. They named the store with letters from their first names, combining Cal and Dor.

Caldor now has stores in seven states with more than nine million square feet of retail space. Most are located in Connecticut, New York and Massachusetts; just over 20 are located in New Jersey, the Baltimore, MD area, where two new stores were scheduled to open before the year's end, Rhode Island and New Hampshire.

The upscale discount department stores gained initial success in hard goods which met the needs of new families moving to the suburbs of the Northeast, according to the parent company. Caldor gained a reputation for the right prices in appliances, housewares, hardware, toys, sporting goods, giftware, auto accessories and health-and-beauty aids, said ADG. The chain added soft goods in the mid-1960s.

Caldor's success is attributed to seven fundamental business policies:

- Provide clean, neat and bright stores every day.
- Carry only branded and first quality merchandise. No irregulars or closeouts ever.
- Be a place to shop for basics by always having them in stock.
- Be very competitive in price.
- Have strong promotional advertising.
- Educate employees intensively about the products they sell.
- Build customer confidence through service and the message that no sale is final. □

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MART[®] 84

December 1984

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A Gordon Publication

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- What lies ahead in '85?
- Husband and wife put on California's Video Show

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- Photo giants seek a video foothold
- How big are big screen TV sales?

APPLIANCES₈₄

- Outlook for home laundry
- Microwave sales: Going great ... but where's the profit?

From six stores in Cleveland to a national group of 150: Frank Valencic of Network Video



**HOW THE '85
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YOUR BUSINESS**

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MART 84

December 1984
Volume 31, Number 4

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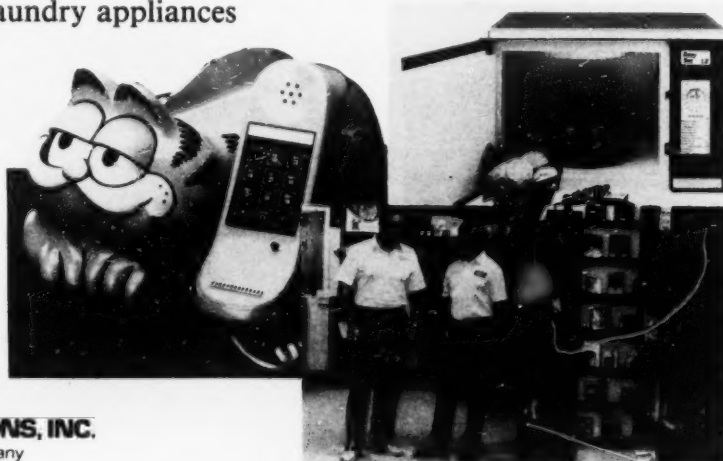
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GORDON PUBLICATIONS, INC.
A Gordon Communications Company

MART Editorial Offices:
13 Emery Avenue
Randolph, NJ 07869-1380
Tel. (201) 361-9060

Publishers of MART • TCR
Computer Dealer • Software Retailing

MART (ISSN-0025-4061), including Electrical Dealer, is published monthly by Gordon Publications, Inc., 13 Emery Ave., Randolph, NJ 07869-1380; Mailing Address: Box 1952, Dover, NJ 07801-0952, (201) 361-9060. Second class postage paid at Dover, NJ 07801-9998 and at additional mailing offices. Subscription rates: \$30 per year in the U.S., \$42 all other countries, airmail \$94. Single copy, U.S., \$3; all other countries, \$6. Publisher reserves the right to accept or reject any subscription. Microfilm copies of complete issues or reproductions of in-

dividual articles from microfilm prints can be obtained from Xerox University Microfilms, Ann Arbor, MI 48109. Copyright © 1984, Gordon Publications, Inc. ALL RIGHTS RESERVED, including reproductions of this magazine in whole or in part. MART® is the registered trademark of Gordon Publications, Inc. Change of Address: Send to Circulation Manager, MART Magazine, P.O. Box 1952, Dover, NJ 07801-0952. Postmaster: Send address change to MART, P.O. Box 1952, Dover, NJ 07801-0952.

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The '85 economy: What can retailers expect?

The outlook for retailing is healthy but slower than '84, according to experts

As the excitement of last month's presidential election ebbed, economists and retailers turned their attention from politics to getting down to business in what by most predictions will be a new year of generally healthy but slower growth for U.S. retailers.

Members of the National Association of Business Economists meeting in Atlanta in late September concluded there will be a slower growth rate next year, a 3.6-percent rise in the nation's total output after inflation, considerably lower than this year's estimated 6.9-percent rate.

James Newton, chief economist for Management Horizons, Inc., a marketing and management consulting firm specializing in retailing which produces the nationally known *Retail Intelligence System* quarterly *Outlook* report, pegged the slowdown from 7-percent growth in real terms this year to about 3.5-percent growth in 1985.

"For retailers," Newton told MART, "the slowdown will be even a bit more severe than that, coming down from about 7.5-percent in 1984 to right about three percent for '85."

Newton said the biggest slowdown will be in durable goods stores, which have been experiencing a growth rate of "well over 10 percent" for the past 18 months or more.

"That is going to come down very, very considerably during 1985," he said. "Specifically, for household appliance, radio and TV stores, we think that 1984 will probably see growth after adjusting for inflation of about 11 percent compared with the year 1983. During 1985, that's going to drop off to a little less than four percent."

Still, Newton maintained the forecast rate is a healthy one. "A couple of years ago, if you told somebody that they were going to grow by four percent after adjusting for inflation, they would have been ecstatic," he said. "You tell them that now, after what they've been experiencing for the last couple of years, and they're going to think you're a horrible pessimist."

The economy will avoid serious in-

General Electric betting on space-constrained market

Although construction of new housing will slow and likely level off to a somewhat more sluggish growth rate in 1985, the market for space constrained major appliances promises to be a healthy one throughout the year.

Products like General Electric's new full-width, full-featured **Spacesaver Undersink Dishwasher (Model GSM603)** are attractively sized for new housing units with smaller kitchens, some as compact as 50 square feet. By coming up with a way to utilize the typically unused eight cubic feet of space under a special, shallower six-inch deep single or double bowl stainless steel sink, the Louisville, KY manufacturer can now proclaim "Any kitchen big enough for a kitchen sink is big enough for a dishwasher, too."

Targeted primarily to the new housing market and secondarily to the remodeling and do-it-yourself markets, the product has been positioned to address the trends of shrinking kitchen



GE's Spacesaver Dishwasher



Five members of Black & Decker's Spacemaker family

space and the growing need for time-saving appliances by families in which both spouses are full-time breadwinners.

"We feel that this really addresses a true need in the marketplace," said Robert A. Reid, general manager of GE's home laundry and dishwasher group.

It is reportedly the only full-sized, under-the-sink dishwasher in the world. Up until about two years ago, GE manufactured a steel-constructed machine which apparently proved infeasible because of leaking and corrosion, among other reasons. Model GSM603 is made with a single piece, molded PermaTuf tub. It comes with a full 10-year guarantee against cracks, chips or rust.

The unit requires some special plumbing hardware in addition to the shallower sink, both of which will be sold via the manufacturer's distribution network, although company officials said they are widely available from plumbing supply outlets nationwide.

Available in January, retail price is expected to range from \$350 to \$400.

flation and will remain recession-free throughout the year, according to The Conference Board's latest survey of leading financial executives of major non-financial corporations. Panelists anticipate the rate of inflation to rise moderately to 4.8 percent in 1985.

"If panelists are correct, the U.S. economy will achieve a soft landing with only a moderate rise in inflation — a goal that has eluded the U.S. since the early 1960s," said Conference Board senior economist Vincent G. Massaro.

Business spending for capital goods, particularly for automation and electronic equipment, promises to continue its lead over consumer spending for automobiles, houses and other durable goods as the engine of recovery. Capital spending by businesses is expected to increase 10.1 percent above this year's 19.8-percent rise.

Housing and appliances retreat

Housing starts, another factor which is considered to influence retail sales, should reach 1.8 million units in 1985, according to optimistic projections. More conservative estimates say that a slower economy and the rise of a percentage point or two in conventional mortgage rates in 1985 will keep next year's starts down to 1.5 million, somewhat fewer than the projected 1.75 million housing starts for the 12 months of 1984.

Based on her findings that housing starts tend to influence appliance sales with about a six-month lag, one retail analyst said she expects next year's starts to average 1.7 million vs. 1.8 million this year. Linda Kristiansen, vice president of PaineWebber, told MART that while there might be a surge in housing because of near term lower interest rates, both housing and appliances will be retreating next year.

"Obviously, we've peaked in terms of housing starts," Kristiansen said. "When I look at some of the major retailers, I'm not looking for a real big resurgence in appliance sales. They've certainly slowed at Sears very sharply since June ... If we do get a

"A couple of years ago, if you told somebody that they were going to grow by four percent after adjusting for inflation, they would have been ecstatic. You tell them that now ...

and they're going to think you're a horrible pessimist."

— James Newton, Management Horizons

Stereo, digital TV big in '85

Stereo TV sets and models like Toshiba's CZ-2094 digital color TV monitor promise to be hot products in 1985.

The digital TV features Picture in Picture (P.I.P.) display, freeze-frame window and full on-screen display of settings and commands, functions which the vendor says cannot be found with equal precision and versatility on analog TV sets. The product also has Toshiba's "FST" Blackstripe picture



tube, said to be the industry's flattest and squarest. The P.I.P. window can be adjusted to either 1/4 or 1/16 the size of the unit's 20-inch screen, measured diagonally.

"If you were watching a football game," said Toshiba's national marketing coordinator Dave Patterson, "it will enable you to see the beads of sweat on a linebacker's eyebrow."

AN OVERVIEW CONSUMER ELECTRONICS PRODUCTS

Year	Total Factory Sales (\$ Millions)
1980	10,900
1981	12,000
1982	16,100
1983	20,100
1984 (proj.)	22,700
1985 (proj.)	24,700

Source: Electronic Industries Assn./Consumer Electronics Group

surge, I don't look for it to be very long lived."

The outlook for major appliances seems to be one for minimal growth, if any. Both officials of General Electric Co. and Litton said they expected the year to be pretty flat, depending, of course, on interest rates. The Association of Home Appliance Manufacturers (AHAM) forecasts a meager two-percent increase in factory shipments of major appliances next year.

Retailers like Bill Houghton of Lehman Electronics with three stores in northeastern Indiana were not too optimistic about next year's sales.

"If we are to continue to have high federal debt and try to stem the tide of inflation at the same time," Houghton said, "it would seem to me that we would have higher interest rates, which ultimately will slow down the retail market somewhat. I don't expect it to go bust, but I don't expect it to increase at the rate we've seen in recent months."

Consumer electronics slowdown

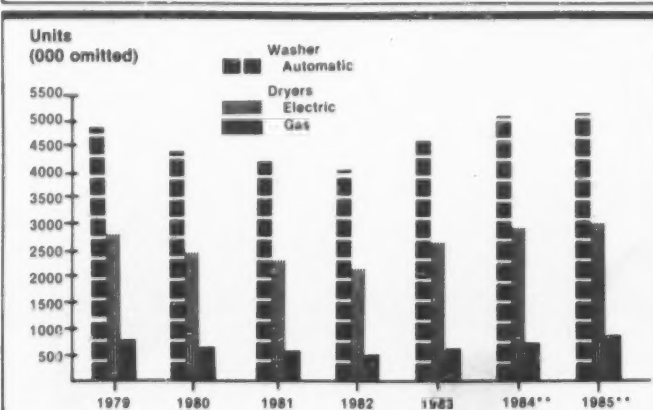
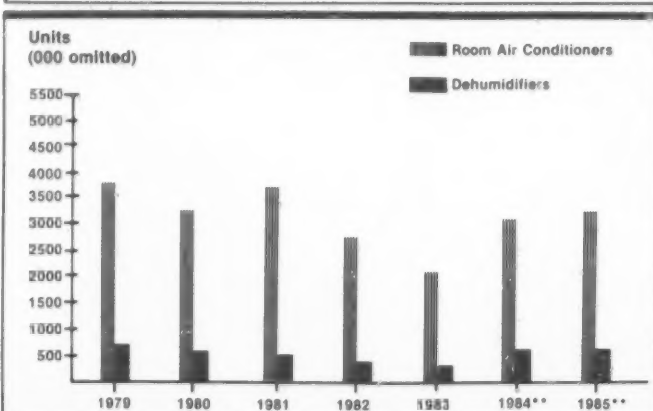
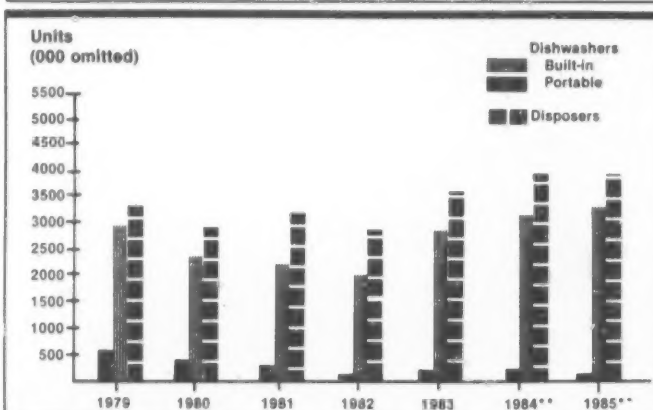
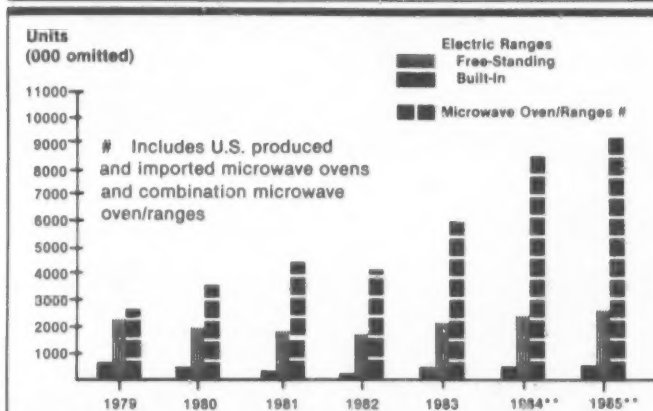
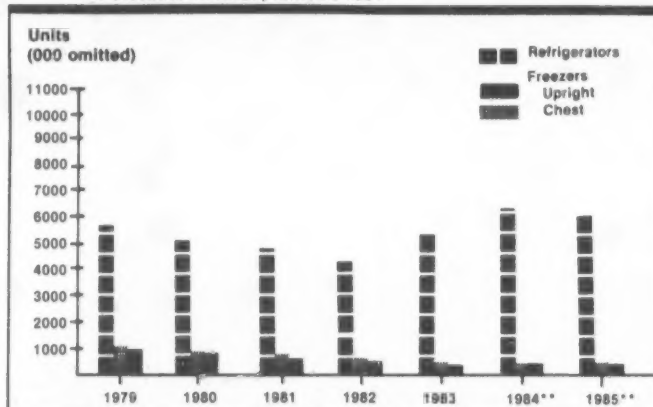
In consumer electronics, 1985 promises to be a year of slower growth, even among the hot sellers, such as videocassette recorders, stereo TVs, microwave ovens, personal computers and home security systems.

The Electronic Industries Association/Consumer Electronics Group conservatively predicts a VCR sales growth rate of between 15 and 20 percent, considerably lower than the nearly 80-percent growth seen during the first nine months of 1984, yet still the envy of other industries, according to an industry spokesperson.

According to EIA/CEG projections, color TV sales (excluding projection TV) to dealers will be up just a fraction of a percent in 1985, while projection TV will be up just over 11 percent. Monochrome sets, including green and amber monitors, will be down eight percent, continuing a decline that began in 1983. Color video cameras are expected to experience sales growth of over 15 percent. And sales of videodisc players, still reeling from RCA's decision to

Trends and Forecasts: Factory Unit Shipments (Domestic + Export) of Major Appliances

** Forecasts as of September, 1984



Source: Assn. of Home Appliance Mfgs.